

SOUTHERN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

With Independent Auditors' Report Thereon



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southern Center for Human Rights

We have audited the accompanying statements of financial position of the Southern Center for Human Rights (the "Center") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2011 and 2010, and the change in its net assets and its cash flow for the years then ended in conformity with auditing standards generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "Fulton Kozak".

Morrow, Georgia
March 20, 2012

SOUTHERN CENTER FOR HUMAN RIGHTS
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

	ASSETS	
	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 187,879	\$ 870,856
Investments	3,068,781	2,634,921
Contributions receivable	184,628	113,034
Prepays	<u>2,509</u>	<u>2,683</u>
TOTAL CURRENT ASSETS	3,443,797	3,621,494
Land	73,335	73,335
Building and improvements	672,806	672,806
Construction in Progress	10,088	0
Furniture, fixtures and equipment	124,602	112,376
Automobiles	93,977	93,977
Accumulated depreciation	<u>(482,578)</u>	<u>(440,852)</u>
	<u>492,230</u>	<u>511,642</u>
TOTAL ASSETS	\$ <u>3,936,027</u>	\$ <u>4,133,136</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,908	\$ 19,769
Accrued expenses	0	10,469
Deferred revenue	<u>0</u>	<u>110,000</u>
TOTAL CURRENT LIABILITIES	13,908	140,238
NET ASSETS		
Unrestricted	3,517,830	3,834,409
Temporarily restricted	<u>404,289</u>	<u>158,489</u>
TOTAL NET ASSETS	<u>3,922,119</u>	<u>3,992,898</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,936,027</u>	\$ <u>4,133,136</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN CENTER FOR HUMAN RIGHTS
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORTS		
Foundation grants	\$ 1,014,250	\$ 861,610
Grant pass through	346,048	0
Individual contributions	295,389	869,038
Special events, net	238,392	253,184
Attorneys fees	90,756	213,083
Other income	23,029	172,084
Training program	0	1,000
Gain from disposal of fixed assets	0	(1,230)
Investment income	<u>(5,474)</u>	<u>230,552</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORTS	2,002,390	2,599,321
EXPENSES		
Program activities	1,850,701	1,522,567
Management and general	299,494	250,750
Fundraising	<u>168,774</u>	<u>198,228</u>
TOTAL EXPENSES	2,318,969	1,971,545
CHANGE IN UNRESTRICTED NET ASSETS	(316,579)	627,776
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Individual contributions	<u>245,800</u>	<u>14,925</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>245,800</u>	<u>14,925</u>
CHANGE IN NET ASSETS	(70,779)	642,701
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>3,992,898</u>	<u>3,350,197</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 3,922,119</u>	<u>\$ 3,992,898</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Program activities		Management and general		Fundraising		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010
Salaries	\$ 783,986	\$ 793,323	\$ 171,059	\$ 128,273	\$ 81,599	\$ 116,017	\$ 1,036,644	\$ 1,037,613
Payroll taxes and benefits	334,013	308,518	63,191	58,164	54,163	49,864	451,367	416,546
Grant pass through	346,087	0	0	0	0	0	346,087	0
Litigation expenses	167,821	176,490	0	0	0	0	167,821	176,490
Office expenses	41,925	39,246	9,666	11,610	958	2,854	52,549	53,710
Depreciation	32,129	34,628	7,093	7,645	2,504	2,698	41,726	44,971
Occupancy expenses	25,789	20,783	4,879	3,932	4,182	3,370	34,850	28,085
Computer consulting	21,199	20,977	4,010	3,968	3,439	3,402	28,648	28,347
Repairs and maintenance	17,532	14,240	2,177	2,661	1,865	2,281	21,574	19,182
Office supplies	15,901	15,770	3,009	2,981	2,575	2,558	21,485	21,309
Telephone	14,668	15,992	2,775	3,026	2,379	2,593	19,822	21,611
Insurance	9,678	15,554	8,056	3,424	0	0	17,734	18,978
Staff development	14,477	26,305	23	192	20	137	14,520	26,634
Development	0	0	0	0	13,027	10,014	13,027	10,014
Professional fees	0	140	12,745	12,266	0	0	12,745	12,406
Postage and shipping	7,039	8,789	1,332	1,664	1,141	1,425	9,512	11,878
Service charges	0	0	8,404	9,760	0	0	8,404	9,760
Travel expenses	5,821	5,841	1,075	1,184	922	1,015	7,818	8,040
Auto expense	5,231	6,038	0	0	0	0	5,231	6,038
AWRN program expenses	4,589	14,656	0	0	0	0	4,589	14,656
Public Policy	2,816	5,277	0	0	0	0	2,816	5,277
TOTAL EXPENSES	\$ 1,850,701	\$ 1,522,567	\$ 299,494	\$ 250,750	\$ 168,774	\$ 198,228	\$ 2,318,969	\$ 1,971,545

The accompanying notes are an integral part of these financial statements.

SOUTHERN CENTER FOR HUMAN RIGHTS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (70,779)	642,701
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation	41,726	44,971
Unrealized gain on investments	103,584	(112,632)
Loss on disposal of fixed assets	0	1,230
(Increase) decrease in operating assets		
Contributions receivable	(71,594)	(36,661)
Due from SPDTC	0	15,646
Prepays	174	5,256
Decrease (increase) in operating liabilities		
Accounts payable	(5,861)	2,518
Accrued expenses	(10,469)	(7,555)
Deferred revenue	<u>(110,000)</u>	<u>(232,916)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(123,219)	322,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(537,444)	(385,443)
Purchase of fixed assets	(22,314)	(9,451)
Proceeds from disposal of fixed assets	<u>0</u>	<u>400</u>
NET CASH USED IN INVESTING ACTIVITIES	(559,758)	(394,494)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(682,977)	(71,936)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>870,856</u>	<u>942,792</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>187,879</u>	\$ <u>870,856</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 0</u>	<u>\$ 0</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. ORGANIZATION

Southern Center for Human Rights (the "Center") was incorporated in 1978 under the Tennessee General Corporation Act as a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Center as a publicly supported charitable organization which allows donors to the Center to take the maximum charitable contribution deduction. The Center, located in Atlanta, Georgia, provides free legal representation to poor and disadvantaged people facing the death penalty or subject to unconstitutional conditions in prisons or jails throughout the Southeastern United States. The Center is also engaged in efforts to improve indigent defense systems and to bring about greater independence of the judiciary. In addition, the Center promotes the advancement of human and civil rights through the performance of informative research and the publication of various educational materials including manuals for lawyers engaged in capital defense and/or human rights litigation in the South.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Basis of accounting**

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

• **Basis of presentation of financial statements**

In accordance with ASC 958-210-45, *Financial Statements of Not-for-Profit Organizations*, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

• **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

• **Fair value of financial instruments**

The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including receivables and payables, approximate their fair value.

• **Cash and cash equivalents**

For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Investments**

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the statement of activities. Realized and unrealized gains or losses on marketable securities are determined by using specific identification.

- **Fixed assets**

Fixed assets are stated on the basis of cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis. Estimated useful lives are as follows:

Asset Category	Useful Lives
Building and improvements	31.5 – 39.5 years
Furniture, fixtures and equipment	5 – 7 years
Automobiles	5 years
Software	3 years

- **Net assets**

Southern Center for Human Rights' net assets and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified as unrestricted and temporarily restricted as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of the Center or the passage of time.

- **Contributions**

The Center reports gifts of cash and other assets as restricted support if received with donor stipulations that limit the use of the donated assets and the restriction has not expired in the same period the contribution was received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Contributed services**

The Center receives contributed services from various individuals, including its executive director, that have not been recorded in the financial statements. In addition, entry level staff attorneys provide their services at approximately \$40,000 per year, which is substantially less than the market value of such services. Generally, top law school graduates can receive starting salaries in excess of \$140,000 and typically earn significantly more after a few years of experience.

- **Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. For purposes of complying with restricted grants, the Center allocates management and fundraising expenses to four major programs: Human rights of prisoners, capital punishment cases, judicial independence and indigent defense.

- **Income taxes**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. Accordingly, no provision for income taxes has been made.

3. INVESTMENTS

Investments as of December 31, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 2,009,678	\$ 1,483,802
Government fixed income securities	599,919	682,324
Alternative investments	459,184	463,926
Equity securities	<u>0</u>	<u>4,869</u>
Total	<u>\$ 3,068,781</u>	<u>\$ 2,634,921</u>

The following is a summary of investment income (loss):

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 85,283	\$ 74,246
Realized loss on investments	48,808	70,402
Unrealized gain on investments	(103,584)	112,632
Investment fees	<u>(35,981)</u>	<u>(26,728)</u>
Total	<u>\$ (5,474)</u>	<u>\$ 230,552</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

4. FAIR VALUE MEASUREMENTS

During the year ended December 31, 2011, the Center adopted the provisions of Accounting Standards Codification 820 (“ASC 820”), Fair Value Measurements, for financial assets and liabilities. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The following table summarized the Center’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2011:

	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 2,009,678	\$ 2,009,678	\$ 0	\$ 0
Government fixed income securities	599,919	599,919	0	0
Alternative investments	<u>459,184</u>	<u>459,184</u>	0	0
	<u>\$ 3,068,781</u>	<u>\$ 3,068,781</u>	<u>\$ 0</u>	<u>\$ 0</u>

The following table summarized the Center’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2010:

	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 1,483,802	\$ 1,483,802	\$ 0	\$ 0
Government fixed income securities	682,324	682,324	0	0
Alternative investments	463,926	463,926	0	0
Equity securities	<u>4,869</u>	<u>4,869</u>	<u>0</u>	<u>0</u>
	<u>\$ 2,634,921</u>	<u>\$ 2,634,921</u>	<u>\$ 0</u>	<u>\$ 0</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

5. OPERATING LEASES

The Center entered into an operating lease for a copier in March 2009. The lease has a monthly payment of \$916 that is required through February 2014.

The Center entered into another operating lease for a copier in September 2009. The lease has a monthly payment of \$267 that is required through September 2014.

The Center entered into an operating lease for additional office space on October 1, 2009. The lease has a base year monthly payment of \$1,684 with annual increases. The lease expires on February 28, 2015.

Future minimum lease payments under the operating leases are as follows:

Year ended June 30,	Copier 1	Copier 2	Office 1
2012	\$ 10,992	\$ 3,204	\$ 21,610
2013	1,832	2,403	22,255
2014	0	0	22,918
2015	<u>0</u>	<u>0</u>	<u>3,906</u>
Total	<u>\$ 12,824</u>	<u>\$ 5,607</u>	<u>\$ 70,689</u>

6. SPECIAL EVENTS

The Center held receptions or dinners in various cities in order to raise funds. The net proceeds from these events are reported as special events revenue in the accompanying statements of activities. The following are summaries of these activities for the year ended December 31, 2011:

	<u>2011</u>		
	Income	Expenses	Net income
Frederick Douglass Dinner	\$ 221,460	\$ 48,394	\$ 173,066
Atlanta Benefit	36,773	2,614	34,159
New York Reception	17,619	3,398	14,221
Chicago Reception	15,950	2,031	13,919
Boston Event	<u>6,700</u>	<u>3,673</u>	<u>3,027</u>
Total	<u>\$ 298,502</u>	<u>\$ 60,110</u>	<u>\$ 238,392</u>

SOUTHERN CENTER FOR HUMAN RIGHTS
NOTES TO FINANCIAL STATEMENTS -Continued

6. SPECIAL EVENTS – Continued

	2010		
	Income	Expenses	Net income
Frederick Douglass Dinner	\$ 231,550	\$ 42,265	\$ 189,285
San Francisco Reception	33,115	6,767	26,348
Atlanta Benefit	33,226	8,117	25,109
New York Reception	12,656	214	12,442
Total	\$ 310,547	\$ 57,363	\$ 253,184

7. GRANT PASS THROUGH

During the current year the Center received a federal grant as a pass through to the Southern Public Defender Training Center (“SPDTC”). The grant was applied for during the time that the SPDTC was part of the Center. The funds were deposited to the Center and passed to the SPDTC as they requested draw down transfers. All management of these funds was the responsibility of SPDTC.

8. EMPLOYEE BENEFIT PLAN

The Center adopted a defined contribution retirement plan effective April 1, 2001. Contributions from the Center begin after one year of service and are 4% of each participant’s compensation as defined in the summary plan description. All employees are eligible to participate in the plan upon employment and employees become vested after three years. During the years ended December 31, 2011 and 2010, the Center contributed \$40,560 and \$41,818, respectively, to the plan.

9. CONCENTRATION OF RISK

The Center maintains its cash in accounts, which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts. Management believes it is not exposed to any undue credit risk with regards to the cash in excess of federally insured limits.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 20, 2012, which is the date the financial statements were available to be issued.